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REPORT OF THE ADMINISTRATOR'S SPECIAL  
CONSTRUCTION GRANTS TASK FORCE

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Environmental Protection Agency  
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Report  
of the  
Administrator's Special  
Construction Grants Task Force

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## I. OVERVIEW

The Task Force was established by the Administrator's memorandum of April 4, 1975, which directed it to "identify bottlenecks in the grant process and to make recommendations for simplified implementation of the regulations consistent with environmental integrity, fiscal integrity, and cost-effectiveness." Interim recommendations were made to each of the Regions in the course of our visits. This report presents the Task Force's final observations and recommendations in fulfillment of that mandate.

Section II of the report deals with problems in the development of applications for each of the three steps in the grant process, Section III with EPA's policy and organization at the regional level for processing applications, and Section IV with delays and workload in the post-award stage. The concluding Section V deals with national policy issues identified by the Regions, as well as Headquarters' performance in providing appropriate policy support to the Regions. This introductory Section summarizes the Task Force's more important general conclusions.

The task facing the Agency in the next 28 months is to obligate the remaining \$13 billion for projects now being identified by the States in the process of developing the FY 1976 Priority Lists. The key is to insure that the projects on the Priority Lists result in a steady flow of sound applications which are processed expeditiously. Since it takes about one year to complete the facility plan for an "average" project and almost another year to prepare biddable plans and specifications, our actions in the next few months will determine our success in generating that steady flow in sufficient volume.

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One of these actions involves resources. This Task Force confirms the findings of earlier study groups that regional construction grants personnel are already overworked. The Task Force has observed instances of project engineers being responsible for about 100 active projects at various stages of the process. To achieve the Agency's goal of obligating all of the remaining funds by September of 1977, most Regions will have to significantly increase (500% in the case of Region V) their average monthly obligation rates. At current personnel levels, most Regions will simply not be able to handle the increased workload without sacrificing the environmental and fiscal integrity of the process to an unacceptable degree. The Task Force is hopeful that the recommendations we have already made to the Regions and are making in this report will, within limits, increase productivity. This increase, however, does not approach the increase in output required to meet the Agency's obligation goal.

Regional personnel feel very strongly the need for additional staff. A crisis of morale is quickly developing as a consequence of the growing perception that additional positions will not be forthcoming, even though the pressure on the Regions to perform is increasing. These morale problems have already contributed to a rapid turnover of experienced staff in at least one Region. Growing disillusionment and frustration throughout the Agency is not out of the question.

The time for action has almost passed. Given the long lead time required to develop projects on the one hand and to recruit and train new staff on the other, these additional positions must be made available within the next few months. If a significant increase in

positions is not possible in the next few months, serious consideration should be given to the alternative of revising sharply downward the Agency's obligation goals.

Other major actions EPA must take include:

1. Over half the Regions are essentially in a reactive review posture. Most of the staff time is consumed by "desk-top" functions and work on most projects begins when the application is submitted by the State. The Regions must become more actively involved in project development because the potential for expediting the program is far greater at the front end of the process than during EPA's review.

Recommended actions are:

- more consistent participation in expanded pre-application conferences where the requirements are explained to the applicant in detail and firm schedules are agreed upon for the development of the project;
- continued use of seminars and workshops to familiarize applicants and consultants with the program;
- implementation of an automated system for tracking the progress of projects from their inclusion on the Priority Lists against the agreed-upon schedules;
- early identification of and special handling for problem projects; and

- early decisions on the need for EIS's and the use of Basic Ordering Agreements and the piggyback approach in preparing them.
2. The Regions must expedite their review of applications through the following management actions:
    - clarification of functions and elimination of duplicative review;
    - improved internal reporting systems;
    - full implementation of the project manager concept to provide a point of accountability with adequate authority to effectively expedite the review;
    - concurrent and coordinated reviews with the States; and
    - increased top level management attention to the program.
  3. EPA requirements with respect to infiltration/inflow analysis, environmental assessments and regionalization are major factors in inhibiting application development. Guidance in these three areas must be simplified and clarified.
  4. Every effort should be made to maximize stability in the program between now and September 1977. Specifically:
    - avoid or carefully phase the implementation of new requirements;
    - minimize fluctuations in Sec. 106 grant levels; and
    - provide as authoritative an indication as possible of the Administration's or at least the Agency's plans for the program beyond September 1977.
  5. An authoritative compilation of procedural guidance in the form of a construction grants manual should be

issued as soon as possible.

6. There is a diminishing but persistent resistance to the legislation governing the program among some consultants, States, and even EPA personnel. The actions recommended in #3 and #4 above will help in this regard. In addition, we support the expanded public information effort currently being developed by the Municipal Construction Division and the Office of Public Affairs.
7. The full cooperation of the States is indispensable to expediting the program. Many States, however, face more severe budgetary and manpower constraints than EPA. Delegation is a viable option only in a few States, and even in those instances significant savings in EPA workload may not be realized for several years. EPA must make every effort to foster increases in the size of State staffs through support of the Cleveland Bill, conditions on Sec. 106 grants, and expanded use of the IPA program.
8. In most States, a relatively small number of consultants are doing the work on a large percentage of the projects. Being unable to expedite all projects simultaneously, the work they submit can be tardy, incomplete, or unresponsive. Headquarters should develop a national strategy to increase the capacity and cooperation of consultants in the effort to get the program moving.
9. Municipal permits have not been adequately coordinated with

projects on the Priority Lists. EPA should put greater emphasis on its regulatory power to remind municipalities that they are responsible for accomplishing legally enforceable abatement measures. Greater use of enforcement actions should be considered to impart a sense of urgency to municipalities in applying for and obtaining grants under the program.

Although our primary mission was to seek ways to expedite the program, we feel some comments on the post-award stage are appropriate. In the absence of comprehensive guidance, the Regions are instinctively performing functions related to the Agency's stewardship responsibilities. Significant amounts of staff time are committed to "desk-top" functions such as the review of change orders and payment requests. At the same time, virtually no manpower is available to conduct interim inspections or interim audits. While we think the Regions deserve credit for moving to fill a vacuum, we are not convinced that the allocation of manpower is entirely appropriate.

This whole area will become a more pressing issue as the number of projects under construction increases. Headquarters should develop Agency policy and issue appropriate comprehensive guidance on post-award responsibilities and priorities.

## II. APPLICATION DEVELOPMENT

### A. OBSERVATIONS

If EPA is to succeed in getting the construction grants program moving, the Regions must be in a position to receive applications for all three steps certified by the States that are:

- o sufficient in number to use up available funds;
- o prepared in a manner approvable by the Regions; and
- o submitted in an even flow throughout the fiscal year.

The first point is obvious: the available money cannot be spent unless enough projects have been developed to spend it on. The second condition is crucial. Most Regions process reasonably expeditiously the applications that are in good shape. It is on applications with procedural or substantive problems that processing time stretches out, staff time is consumed and irritations arise. The third constraint would permit improved planning and use of staff by the consultant, State and EPA. It would avoid surges in workload, the attendant variations in the quality of the review, and the potentially inflationary impact of large numbers of contracts being let simultaneously.

The application development stage is the most important phase of the process because it is the point at which the development can be most readily influenced. Thus, the potential for reducing the processing time on a project is the greatest in this phase. Yet, this is the stage on which most Regions spend the least time. Only two Regions engage in fully adequate "front-end" activity, although most perform some, especially on large projects. Regions are generally in a reactive review posture: work on a project begins when the application or part of it is received from the State. In some Regions, up

to 10% of the project engineer's time is devoted to post-award activities such as the processing of change orders and payment requests.

Nationally, project engineers claim to spend 5-20% of their time out of the office, with most of them at the lower end of the scale.

In fairness to the Regions, the manpower constraints are such that a difficult trade-off is called for between the expected future benefits of front-end work and the satisfaction of minimum legal requirements on current projects. In addition, EPA has little direct control over the process at the application development stage. The "action" is really with the potential grantee, his consultant, and the State. Nonetheless, we are persuaded of the importance of increasing front-end involvement and think that other workload could be reduced to free resources for this purpose.

There are a number of problems slowing preparation of applications and plans at the local level:

1. Some of the major elements of the facility plan still remain problems. The Regions most often identified I/I analysis, environmental assessments, reserve capacity and resistance of local communities to participation in joint planning as basic issues which inhibit the development of applications.
2. In most States there appear to be a sufficient number of projects to use up the current availability of funds. However, in some States, such as California and Georgia, plans and applications for several large projects will have to be completed in accordance with very tight schedules to obligate all available funds by September 30, 1977.
3. In general, Regions review and approve the States' systems for assigning priorities but rarely challenge the inclusion of

specific projects on the Priority Lists. Occasionally, projects of questionable merit may appear on a Priority List and become problems during the subsequent processing.

4. The lack of either authorization or appropriations beyond September 1977 may create a gap in the pipeline of projects. Applicants whose step 3 grant is not assured under the current availability may feel no sense of urgency in pursuing step 1 & 2 development of their projects.
5. Many States specify an absolute deadline for the receipt of applications. If the deadline is missed, a lower priority project is substituted and the original applicant has to wait until the next cycle. This practice has three deleterious consequences:
  - a. deadlines become target dates producing surges in applications;
  - b. consultants hand in incomplete applications to make the deadline; and
  - c. reluctant municipalities are provided an excuse for not entering the process.
6. Some municipalities are slow to complete plans and applications, or fail to do so altogether.
7. Pre-application conferences are held by most States within 60 days after the approval of the Priority List. Practice varies widely, however, as to extensiveness (from 45 minutes with each applicant and his consultant in Arkansas to a full day with up to 30 applicants and their consultants in New York). EPA participation varies from 100% to seldom.

8. Work submitted by consultants is often incomplete or late. New York State claims that few applications reach them in a completely approvable form. Other States confirm this to some extent in the following pattern:

- a. The larger consultants usually do very good work.

However, either there are too few consultants practicing in the State (West Virginia) or a few firms hold the bulk of the contracts (5 firms handle 50% of all active PL 92-500 projects in N. Y.; 11 firms handle c. 90% in California) and do not have sufficient manpower to expedite all projects at once.

- b. Smaller consultant firms often tend to lack the experience or the range of skills required to handle all aspects of a complicated project.
- c. Shortcomings of the work involve not only environmental analysis but also engineering.

9. The quality of State performance in providing appropriate guidance consistent with PL 92-500 varies widely. The three factors which bear on performance are acceptance of PL 92-500, size of staff, and an appropriate range of skills. States such as Washington and California accept the new requirements and have reasonably adequate numbers of competent personnel. Some States, on the other hand, have competent people but are poor advocates for PL 92-500. A large number of States simply do not have adequate staffs, some of them with as few as one person working on construction grants.

## • B. RECOMMENDATIONS

While many of these areas are not within EPA's direct control, steps can be taken to ameliorate problems at this stage, and we strongly recommend that more resources and attention be devoted to assuring that approvable applications and plans are prepared at the local level. We emphasize that effective action in this area is dependent on good management and political sensitivity as well as technical knowledge.

1. The Regions should take a more active role in managing the flow of applications. States must be sensitized to the problem and agreements obtained to phase projects on a timely basis. We encourage the development by the States of program plans which will result in an even and timely flow of certified applications.
2. During the review of the Priority List, greater attention should be given to insuring that the ranking of projects reflects an appropriate application of the approved priority criteria.
3. Applicants should be encouraged to sign contracts with the consultant containing firm performance clauses.
4. Pre-application conferences should be expanded to permit a thorough coverage of the requirements. EPA should participate actively in all pre-application conferences. A greater effort must be made to present clear and understandable requirements to the grantee and consultant.
5. Schedules for the submission of work from the consultant should be established at the pre-application conference.
6. The Regions should establish an information system to track projects from their inclusion on the Priority List against the schedule.

7. Payments under step 1 grants should be tied to the completion of specified tasks.
8. Regions should stay in active contact with the State, the grantee and his consultant during the development of the facility plan in order to identify and help resolve problems as early as possible. Every effort should be made to coordinate State and EPA actions and guidance.
9. Periodic conferences should be held with EPA, the State, the consultant and the grantee on projects where the schedule is slipping.
10. EPA and the States should move toward a stronger regulatory posture and enforce permit conditions requiring potential grantees to apply for grants and to meet established schedules. States also have other regulatory powers which could be utilized to the same end.
11. State performance and staffing must be improved. Passage of the Cleveland Bill is one possible approach to this problem. Other possibilities are to:
  - a. utilize program grants as a lever to encourage increased staffing
  - b. co-locate EPA staff in the State capital, either in the State's offices or in a separate EPA office.
  - c. expand use of the IPA program.
  - d. expand use of State assignees (EPA employees seconded to the State government after an assurance the State will place them in new State positions within a year).
12. An effort should be made to identify at an early stage those projects which are likely to be problems or are likely to require EIS's. Such projects should be flagged for top management attention and action. EIS's should be initiated as early as possible to eliminate the delay caused by sequential preparation of EIS's after the completion of the

facility plan. Use should be made of Basic Ordering Agreements and the piggyback approach developed by Region IX.

13. The desirability of insisting that communities plan jointly for waste-water treatment should be determined on a case-by-case basis.
14. We support the new guidance on I/I analysis now being developed by the Municipal Construction Division.
15. Appropriate procedures should be worked out with other Federal agencies to implement the regulations involving historic sites, wetlands, flood plains, etc. Such procedures should provide for clearances as early in the process as possible.

### III. APPLICATION PROCESSING

#### A. OBSERVATIONS

##### 1. Policy Implementation

In our interviews we encountered charges that the complicated requirements are stopping the program and that EPA is exceeding its authority under the law. We have been able to document only isolated instances where EPA's requirements or their implementation seems excessive. For example, the Title II Regulations require assurances prior to a grant that a municipality will comply with requirements for user charges, cost recovery and sound operation and maintenance. These requirements are also conditions on the grant. To give another example, we found inexperienced personnel may on occasion be overly zealous in applying the regulations with insufficient flexibility.

Basically, however, it is our judgment that the regulations as they exist cover little more than the basic legal requirements. To the extent that our regulations create problems, the problems can really be attributed to two other factors: (1) a diminishing but persistent opposition to the legislation; and (2) the uncertainty and delay which have accompanied the preparation of regulations and procedures to implement the law.

With respect to the failure of the new legislation to gain universal acceptance, it must be remembered that sewage treatment systems have been constructed for some decades. NEPA, PL 92-500, the Historic Preservation Act, etc. overlaid, if not a different philosophy, certainly new requirements and considerations on an on-going business. In keeping with the current philosophy of government, the construction of waste water treatment facilities is now required to serve a variety of more or less related social purposes. Opposition from experienced practitioners is to be expected regardless of where they work: EPA, the State or the

consultant community. The problem is exacerbated in the case of old projects which occur usually in large metropolitan areas. As a rule of thumb, the "average" sized project will take about 2 years to plan and design. Very large regionalized projects can take up to 12-15 years, not counting actual construction time. Consequently, some percentage of the projects for which funding is now being sought was conceived and planned before various requirements of PL 92-500 were applicable. In Region II, for example, upwards of 75% of the applications expected through September of 1977 will involve such projects. Given the time and effort already invested in such projects, not to mention the sometimes delicate compromises that have been struck to put the project together, it is understandable that there would be resistance to a requirement for an environmental assessment or documentation of public participation.

While resistance to the new requirements is real, it is also true that EPA has done less than an adequate job in implementing the law in the following respects:

- a. Issuance of regulations and additional necessary guidance has been consistently tardy, thereby creating confusion and delay. Regions and States are forced to act without the benefit of HQ guidance, only to be overruled by the policy that is finally issued.
- b. The program has too long existed in a crisis atmosphere. So much attention had to be given in the past to "fighting fires" or resolving specific problems that not enough attention was given to planning and managing a consistent, coordinated program.
- c. Difficult new requirements (e.g., I/I analysis) have to be

applied to a national program. Insufficient assistance and guidance has been provided to show an applicant what must be done to prepare acceptable work.

- d. Both HQ and the Regions have a tendency to avoid difficult decisions. Consequently, the applicability of a requirement in a specific case may be debated inconclusively for extended periods, creating delays and frustration on the part of the consultant. This is an indication of both inadequate high-level management attention and insufficient mechanisms for resolving conflicts and differences of opinion.
- e. Acceptable standards on matters such as environmental assessments and I/I analyses are not clearly defined. Applications are accepted in the end-of-year crunch that would not be accepted at other times. Consistency varies among Regions and even among project engineers in the same branch.
- f. Policy implementation can produce incongruous results. For example, in the time that a project is re-designed to take advantage of the cost savings of a regionalized system, inflation in construction costs may more than negate any savings.

## 2. Operational

The adequacy of the job EPA does in implementing the program is further undermined by a perception widely held by consultants and States that the EPA review accomplishes little change in most projects. Treatment facilities, the claim goes, are almost never changed and interceptors very seldom. We tend to disagree with such claims since we were able to document instances where funding was refused or serious errors in the project were corrected. On the other hand, we also reviewed files where lengthy exchanges between the Region and the grantee achieved little more than a more sophisticated justi-

fication from the consultant to support the project as designed. This kind of pattern tended to occur particularly toward the end of the year as the pressure mounted on the Region to obligate funds about to lapse.

Organizational or management changes, accompanied by reduced average processing times, have recently been instituted in every Region. We find most of the changes desirable and urge their continued implementation, although the recent advent of the changes is creating some confusion, and the precise manner in which a Region operates could not always be clearly established. Despite the improvements, some duplication of work and inadequate management exist, consuming critical resources which must be freed up for processing the increase in project applications. The following problems seemed to recur with some regularity:

- a. A number of Regions have not yet implemented the project manager concept to provide for a focal point of accountability and authority in developing and processing projects.
- b. Tracking systems and tickler files existing in most Regions are not satisfactory.
- c. In most Regions, a number of branches in several divisions are involved in the grant process. Responsibilities are not sufficiently defined. Duplicative reviews occur, sometimes sequentially, and coordinating mechanisms are weak. Mechanisms for quickly resolving differences between branches are inadequate.
- d. Most Regions do not have an adequate internal reporting system or adequate top level management attention on the program.
- e. A number of Regions have inefficient routing and concurrence processes. Too much time and effort is sometimes consumed in writing formal memos from one branch to another.

**B.**

- f. Most Regions do not conduct concurrent reviews with the States. Additional time is consumed in these sequential reviews and the consultant is subjected to sequential requests for additional work.
- g. Most Regions tend to hold incomplete applications and plans for extended periods, while hoping to complete or upgrade them. This practice creates a backlog of applications in EPA and tends to remove the onus from the State and the consultant.
- h. State certification on both facility plans and plans and specifications tends to be unreliable. Region VI, for example, finds that about half of the applications certified by one State are not approvable as received. About 10% are returned outright, another 10-20% have substantive problems, and another 20-30% have forms missing, signatures missing, etc.
- i. Most Regions tend to hold up deficient projects while the problems are sorted out, even when a condition on the grant would provide an adequate safeguard.
- j. Negative declaration packages often repeat material already contained in the environmental assessment.
- k. Most Regions spend significant amounts of time on reviewing plans and specifications, even in the case of States to which this responsibility has been delegated. Delegations apparently will not reduce EPA workload significantly until States have had an opportunity to increase staff and gain necessary experience.

## B. RECOMMENDATIONS

We have chosen not to recommend any single model for regional organization because we could not find conclusive evidence supporting one possible model as better than others. There are five basic functions to be performed in the processing of grant applications: legal, administrative, planning, environmental and engineering. The Regions have organized in a variety of ways to discharge them. Organizations which reduce the number of separate units involved tend to have fewer coordination problems. Organizational separation, on the other hand, can provide checks and balances that enhance the quality of the work. Basically, we found that the Region's performance depends in large measure on (1) the adequacy of the States' staffs and their acceptance of the new requirements, and (2) the strengths and weaknesses of Regional personnel.

The following recommendations address the problems discussed above:

1. All Regions should improve the management of their process through:
  - a. the development of an internal tracking and reporting system with periodic reports to top management;
  - b. the conduct of periodic status reviews by top management; and
  - c. the full implementation of the project manager concept. The project manager should have authority to set deadlines in the review process, track progress, identify conflicts and recommend a course of action to superiors where unresolved conflicts slow progress. He should be responsible for knowing and reporting on the status of a project from the time it appears on a priority list to final closeout, and keeping it moving in accordance with an established schedule.

2. Coordination with the Regional Counsel, the Enforcement Division, and the Air and Hazardous Materials Division should be formalized.
3. In Regions where functions reside in different branches:
  - a. responsibilities should be more clearly defined;
  - b. duplicative reviews must be eliminated;
  - c. all reviews should be concurrent;
  - d. all requests for comment should be accompanied by a suspense date which should be enforced through follow-up and higher level attention triggered by tickler files;
  - e. contacts at the staff level should be strengthened with formal communication reduced to a minimum; and
  - f. if conflicts among branches reach an impasse, the problem should be flagged for immediate resolution by supervisors.
4. In Regions where functions are combined in a single branch:
  - a. greater supervision and policy direction should be provided to insure the consistency and quality of review; and
  - b. special emphasis should be given to appropriate coordination with other regional elements.
5. Paperflows should be expedited, particularly between the grants administration function and the project engineer, and in the concurrences on the way to the RA.
6. The State and EPA reviews should be coordinated to the greatest extent possible to reduce the number of times different levels of government request the applicant or his consultant to provide additional justification or work. If adequate front-end work has been done, the application and plans should be in reasonable shape

by the time they are formally submitted. Agreements should be sought with the States for maximizing the simultaneous review of documents. The project manager should coordinate all communication with the State and the consultant. The State and EPA should hold one conference with the applicant and the consultant to explain in detail what the consultant must do to make the application approvable. A firm schedule should be agreed upon at this time. The introduction of additional issues should be avoided, and when the applicant has complied, the grant should be approved without further ado.

7. Applications and plans that are seriously deficient should be returned to the State expeditiously.
8. Appropriate staff from all parts of the Region should be used on a temporary basis to handle workload surges.
9. Negative declaration packages can be shortened and simplified by referencing rather than repeating appropriate sections of the environmental assessment.
10. More use should be made of regulatory powers to increase the responsiveness of applicants and their consultants.
11. Regions and State staff should make greater use of checklists and informal rules of thumb in substantive evaluations. For example, do a thorough cost analysis on a consultant contract for a small facility plan only if it exceeds \$10 per capita in the planning area.
12. On small projects for the rehabilitation of existing facilities involving no increase in capacity, extremely simplified facility plans should be used to expedite the process.

13. On projects impacted by problems, consideration should be given to segmenting. Portions that are "clean" should be separated out and funded to the extent that feasible alternatives for the entire system are not compromised.
14. Rather than holding up projects until all problems are resolved, consideration should be given to the use of grant conditions when appropriate. This permits the development of the project to continue while the problems are being resolved.

#### IV. THE POST-AWARD STAGE

##### A. OBSERVATIONS

We noted a number of problems in the process as projects move from the award of the step 3 grant through construction:

1. A number of old law projects are still not under construction.

The key problem usually involves insufficient funds (only 30-55% matching). The grantee is reluctant to proceed with construction, but is also reluctant to give up the old grant and apply for funding under PL 92-500, especially since many of these old projects do not meet the new requirements.

2. Preconstruction delays on PL 92-500 projects result from a variety of reasons:

- a. Some Regions go by the book on bid tabulation reviews and force rebidding for minor infractions of the regulations;
- b. Federal Wage Rate determinations provided by the Department of Labor prior to opening of bids are effective for only 120 days and occasionally expire before a grant award can be made. The bidding cycle then must be restarted.
- c. Problems arise due to the present procedure of formulating minority hiring plans after bid opening and the use of varying standards by the Regions in implementing EEO requirements; and
- d. Financing of the local share is a problem in isolated instances and may become a more significant problem in the future.

Currently, problems involve areas where:

- the tax base is small;
- FHA loans are sought which carry duplicative requirements

that must be satisfied separately;

- the grantee wants to use HUD block grants which, under a recent legal opinion, may no longer be used to augment the Federal share;
- legislation exists limiting interest rates or the amount of indebtedness.

3. Cost-overruns and change orders are very high nationally. Some projects were bid at twice the estimated cost. A total of 32% of FY 1975 obligations cover not new projects but these two categories of expenditure. Change orders are of particular concern since some of them reflect shortcomings in the plans and specifications.
4. Very little guidance has been issued from Headquarters on post award procedures. Regions have recognized the Agency's stewardship responsibilities and have reacted to the void in requirements by establishing their own procedures and practices, or have continued practices utilized under the old law. A large proportion of the project engineer's time (in some regions as much as 75%) is spent on post-grant activities. Although we think this emphasis may be appropriate, too much time is being spent on "desk-top" activities such as review of bid documents, payment requests and change orders. Other aspects of the stewardship function are neglected. Only two Regions perform interim inspections with any regularity and the interim audit program has still not been fully implemented.
5. Projects are also delayed by lawsuits, and by redesign required when bids come in high and the municipality believes it cannot afford the local share. However, these problems are normally beyond the control of EPA regional offices.

## B. RECOMMENDATIONS

1. On delayed old law projects, terminate the grant and offer new step 1 funding.
2. On delayed PL 92-500 projects, enforce permit compliance schedules to expedite planning and construction.
3. Conduct the review of bid documents for compliance with Federal requirements before the opening of bids. Reviews for other than financial aspects should be minimized after bid opening.
4. Develop a procedure coordinated with the Office of Audit to reduce time spent on the review of change orders by not reviewing items below a given amount unless the cumulative total on the same project exceeds a certain level or a certain percentage of the grant.
5. Implement the revised guidance on the processing of payment requests.
6. Use O&M and permit compliance inspections to conduct interim construction inspections as well.

## V. HEADQUARTERS

### 1. PROBLEMS FOR HEADQUARTERS ATTENTION

In our interviews, a number of areas were identified as holding serious potential for project delays unless policies were issued, clarified or changed. Similarly, the possible solutions to some of the problems we observed involve policy considerations that require Headquarters consideration and action. These items are discussed below, together with our recommendations where appropriate.

1. Regions now receive a multiplicity of guidance (sometimes conflicting) from a number of HQ sources in a variety of forms (regulations, memos, PGM's, telephone calls). We recommend the speedy issuance of the grants manual as the definitive compilation of authoritative procedural guidance. We further recommend that Headquarters institutionalize the various forms of guidance, use the national program manager as a central clearinghouse, and give the Regions a clear sensing as to which items of guidance are mandatory and which are discretionary.
2. The final UC/ICR guidelines have still not been issued. Projects have reached or are nearing the 50% and 80% mandatory withholding points. Further delays in issuing the guidelines will create serious problems.
3. The Agency policy on joint planning by two or more communities should be clarified. There is a tendency in many states to consider "regionalization" a requirement; EPA policy is that regionalization should be undertaken only when cost effective. The additional complexity plus the local agreements necessary on a regionalized project can easily add 2-3 years to a project's development. Regional systems may

facilitate unplanned growth which may in turn have adverse environmental effects on the service area. During the additional planning time, serious treatment problems continue uncorrected. Finally, given inflation rates of 1% a month in the construction industry, the increased costs of building the project may later negate any theoretical savings. The Agency should make it clear that these considerations should be included in the cost-effectiveness analysis.

4. A number of Regions stated a need for clarified guidance and clarified standards of acceptability on such questions as:
  - reserve capacity
  - I/I analysis
  - secondary environmental impacts
5. Headquarters should issue guidance on permissible flexibility in using expediting techniques such as:
  - a. segmenting of problem projects to fund "clean" portions; and
  - b. conditioning grants to insure that problems are corrected instead of resolving them before the award.
6. Region IX is placing greater emphasis on the relationship between the construction grants program and air quality. Since many parts of California are already in violation of air quality standards, secondary impacts from new growth caused by construction projects must be offset by air pollution reduction measures. Air quality maintenance planning is just now being initiated. Hence, air quality impacts of construction and offsetting abatement measures are not defined fully.

The lack of adequate manpower at the State level is one of the crucial bottlenecks in the program. At the same time, a number of States have adopted personnel freezes. Given current budgetary constraints, funds from something like the Cleveland Bill may, in some instances, be used to substitute for State funds rather than augment them. Headquarters must give this problem consideration. Should it prove difficult to obtain augmentation in State staffs, our policy on delegation should be reconsidered to the point of delegations being rescinded from certain States.

8. Region IX recommends the expansion of the State assignee program to cover the construction grants program as well.
9. Consultants are crucial participants in the process with great power to expedite or retard the program. Headquarters should devise a national strategy to win the full cooperation of the consultant community in our effort to get the program moving.
10. EPA should undertake to negotiate appropriate agreements with other Federal agencies to coordinate requirements and foster cooperation, specifically:
  - a. A number of projects in Regions VI, IX and X are delayed over negotiating appropriate cost-sharing with military facilities.
  - b. The definition used by the Department of the Interior causes temporary ponds to be considered as wetlands. This definition triggers environmental impact considerations which may seriously delay a large number of projects in North and South Dakota.
  - c. Smaller communities in a number of States rely on FHA loans to finance the the local share. FHA has separate, often

duplicative, requirements which create additional work and delays.

11. Certain special conditions on grants, e.g., access to contractor records, appear in different forms in the General Grant Regulations and the Title II Regulations. Since the new EPA grant forms use the wording of the Grant regulations and Regions prefer the tighter wording of the Title II Regulations, the grantee ends up with at least two, sometimes more sets of overlapping special conditions. Headquarters should make an effort to coordinate such requirements and eliminate unnecessary duplication.
12. A more formal system of project stewardship after grant award is required. Headquarters should issue comprehensive guidance in this area simplifying "desk-top" functions and assign greater priority to field inspections and audits. More people are required to discharge the stewardship function. The interim audit program recommended in earlier studies should be implemented. The possibility of having other Federal agencies such as DOD or NASA perform inspections and audits on behalf of EPA should be explored.
13. Headquarters is in the process of changing the regulations and procedure governing Federal minority hiring requirements from requiring an affirmative action plan by the low bidder to be prepared and approved between the opening of bids and the award of the contract, to a specific contractual obligation in the bid document establishing a generalized standard in relation to the minority population and work forces and outlining the good faith efforts necessary to meet the requirement. Issuance of the revised regulations should be actively pursued. In the meanwhile, the Regions should follow the

interim policy on standards to be applied as contained in the two applicable memoranda from the Assistant Administrator for Planning and Management.

14. As an increasing number of projects come under construction, EPA's responsibility to approve UC/ICR systems looms as a problem in terms of workload, lack of appropriate business skills, and potential delays. We endorse efforts to explore the use of resources outside EPA in the review process, including the use of CPA's, lawyers or other qualified professionals to review UC/ICR systems and certify to EPA that they meet legal requirements.

## B. THE HEADQUARTERS ORGANIZATION AND PROCESS

### 1. Observations

As part of this study, the Task Force conducted a series of interviews at Headquarters with a cross section of officials whose responsibilities involve the construction grants program. As in the case of the Regions, organizational and management improvements have recently been made at Headquarters.

Despite these changes, we observed the following problems:

- a. Little effort has been made to date to utilize municipal permits as a means for expediting the construction grants program.
- b. Headquarters has, at least in some cases, been tardy in issuing regulations and providing effective guidance to the Regions. One major cause is that the Agency has a very large number of offices that participate in major decisions, and the Agency's processes for resolving differences among them are not always efficient. In isolated instances, the opposition of a single individual

can hold up critically needed policy for extended periods.

c. Although significant improvements have been made, the Municipal Construction Division (MCD) still does not now have the full range of management and analytical skills necessary to exercise its responsibilities with respect to the program. This has made it possible for other Headquarters elements to exercise responsibilities that properly belong to the MCD. The temporary assignment of two analysts from OPM to OWPO is providing some assistance in this regard.

d. Responsibilities and relationships within OWPO and MCD should be clarified.

- There is some overlap and confusion among the respective responsibilities of the Facilities Requirements Branch, the Construction Operations Branch and the Program Planning and Evaluation Branch.
- The Environmental Evaluation Branch is located in a separate Division, even though most of its work concerns the construction grants program. Contact between the Branch and MCD, except for the Facilities Requirements Branch, is minimal.
- Much of the limited manpower in the Municipal Construction Division is committed to "fire fighting." As a consequence, insufficient attention is given to overseeing the performance of the Regions from a broader management perspective.

- e. Audit resources previously were not being utilized in a manner most beneficial to the construction grants program because resources tended to be committed to program audits or to cost analysis, to the detriment of interim audits. This situation seems to be improving.
- f. A cooperative effort including MCD, the GICS people and Region IV is underway to refine and computerize the manual Program Management System developed by MCD. A contract has been let to determine how GICS can be expanded to include elements of the Program Management System to better meet the needs of management in Headquarters and Region IV.

## 2. Recommendations

In general, our conclusion is that Headquarters can further improve the manner in which it manages the construction grants program and provides policy support to the Regions. Specifically:

- a. We strongly support the immediate development of a nation-wide management system, utilizing available project data, with the following characteristics:
  - There should be a single system for all Regions and Headquarters.
  - It should be automated.
  - It should consist of a mandatory core of data elements based on the information a project manager needs to carry out the role outlined above.
  - Flexibility should be available for Headquarters or the Regions to add other data elements.

- It should track all projects from the time they are included on a Priority List.
- It should track projects against the schedules agreed to at the pre-application conferences as recommended above.
- It should not be implemented until it has been tested.

Current efforts to expand GICS to accommodate elements of the Program Management System should be expedited. Until the system is operational, the manual Program Management System as presently operating should be utilized to track regional performance.

- b. More formal procedures should be established at Headquarters to facilitate the timely completion of necessary major actions. If the lead responsibility is in a specific office, more formal use should be made of the "issue manager" concept which now occurs in practice. The "issue manager" should be accountable for satisfactory progress on the action, should set deadlines for comment, and should be responsible for raising issues that cannot be resolved to higher levels for decision. In the context of the Steering Committee, greater emphasis should be placed on timeliness as well as quality. The staff of the Steering Committee should be responsible for following up on late comments. Assistant Administrators and Regions should send representatives who speak for them and are empowered to agree to decisions.
- c. Functional responsibilities should be clarified between the

Municipal Construction Division and other Headquarters offices. If necessary, formal memoranda of agreement should be negotiated. Specifically:

- The respective responsibilities of the Environmental Evaluation Branch, the Facilities Requirements Branch, and the Office of Federal Activities for environmental matters related to construction grants should be clarified.
  - Responsibilities with respect to grants policy, particularly in the area of deviations, should be further defined.
  - The MCD and the Office of General Counsel should come to an understanding about respective roles, particularly in the area of contact with the Regions and the issuance of informal guidance on the interpretation of regulations.
- d. We strongly support recent improvements in the internal management of the Municipal Construction Division. However, we think more attention needs to be given to:
- the prompt clarification of the roles of the Construction Operations, Facilities Requirements, Program Planning and Evaluation, and the Municipal Technology Branches, based on a formal management analysis of the Division.
  - exercising the role as the primary contact with regional programs and as the central clearinghouse at Headquarters for policy support;
  - a more formal system for identifying regional

problems and guidance needs plus a tracking system to ensure expeditious responses;

- identifying the priority tasks and conforming the allocation of staff and management time to those priorities. In this regard, less emphasis on "fire fighting" and greater delegation of responsibility for congressional correspondence to the Regions should be considered; and
  - assigning responsibility to a designated group for the conduct of periodic regional management reviews to evaluate regional performance. These reviews should make full use of GICS and the program management system.
- e. Greater attention must be given to the full coordination of the construction grants program with other Agency responsibilities, for example, air programs, Section 208 plans, and the new Safe Drinking Water Act. In particular, a strong effort must be made to operate the municipal permit and construction grants programs in tandem. As a first step, attention should be focussed on the permits associated with the projects on the FY 1976 Priority Lists. These permits should be reviewed and selectively redrafted to enhance their use in assuring a steady flow of grant applications.
- f. A program of interim audits should be undertaken immediately. These should be financial audits conducted by auditors specializing in the construction grants program. If sufficient manpower is not available

in EPA, agreements should be sought with other agencies possessing experience with construction (e.g., the Corps of Engineers) to conduct audits for EPA.

- g. We endorse the expanded efforts to inform the public and other key participants in the program of the requirements of PL 92-500.
- h. High level attention, such as the Administrator's March 10 memo on expediting the grants program, and phone calls on regional performance, give impetus to the program and should be continued.